

Talking points
“Insurance Day” events
Ole Miss & Mississippi State
Wednesday, April 25, 2007
General topic: “The Risk Business”

I want to talk to you today about two general elements of the insurance business that have been in the news for the past few years: tort reform and the wind pool.

There are lessons in how reforms in both areas are leading to a better quality of life by stabilizing the insurance markets, especially in post-Katrina Mississippi.

But we can’t blame the first insurance storm on Katrina.

When I took office in January 2004, Mississippi was a state badly in need of tort reform.

Lawsuit abuses were threatening many aspects of life.

Employment was in decline. Doctors were leaving the state, creating gaps in such specialties as obstetrics and neurosurgery.

Economic development was stagnant as potential new businesses were skeptical of assuming risks of a civil justice system run wild.

The phrase “jackpot justice” came to symbolize frivolous lawsuits and huge, irresponsible jury verdicts in civil cases.

Every small business in the state was one lawsuit away from bankruptcy.

Those were heady days for trial lawyers.

I knew that unless we corrected the inequities, it would be very difficult to attract new jobs and move Mississippi forward.

So, step one in my vision to improve quality of life in Mississippi was to level the business playing field by tackling tort reform against an intense lobbying effort by trial lawyers and their friends in the Legislature.

The Senate was a willing partner, but for months the House leadership would not allow a vote by House members.

When reforms finally made it to the House floor, they passed overwhelmingly.

We overcame what ultimately was a very vocal minority to being back basic fairness in the civil justice system.

What were the results:

There was a 66 percent decrease in the costs of defending frivolous lawsuits from 2003 to 2004, according to the Mississippians for Economic Progress (\$47.3 million to \$15.8 million).

This left companies with more money to invest in job creation, research and development and other needs.

The number of medical liability lawsuits had been growing every year and reached a high of 2,474 in 2004, according to the Mississippi Medical Association. By 2005, the number had dropped dramatically to 274 suits.

Tort reform has changed Mississippi's image among global companies and organizations. We are now perceived to have a fair legal environment, which translates into a good place to do business.

Business investment and growth lead to new jobs and a stable economy.

Most recent example: Toyota's \$1.3 billion investment and 2,000-plus jobs at a new assembly plant near Tupelo

Tort reform also means fewer physicians are leaving Mississippi due to the high cost of defending unfounded lawsuits.

Personal income is up 15% since I became Governor. More people are working and making higher incomes. Mississippi is at near-record employment levels.

There are many reasons: good, conservative money management practices; living within our means; insisting on honestly balanced budgets.

The foundation for this progress is tort reform.

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The wrath of Hurricane Katrina didn't end when the wind and water subsided in August 2005.

As a state, we will be dealing with Katrina's aftermath for years to come, and the availability of insurance – not to mention its affordability – is absolutely critical to helping homeowners and businesses get back on their feet.

The wind pool is an insurer of last resort for homes and businesses on the Coast that is funded through customer premiums and assessments from every insurance company in Mississippi.

Today there are about 32,000 policies in the wind pool, up from 16,000 policies at the time of Hurricane Katrina in August 2005.

One of the main purposes of The Mississippi Growth and Redevelopment Act of 2007 – which I signed into law on March 22 – is to mitigate the

increase of insurance premium costs across the entire state by providing \$80 million over the next four years from the insurance premium tax to buy reinsurance, which will result in lower premiums for wind pool policy holders..

The bill, unanimously approved by both houses of the Legislature, also creates the Mississippi Windstorm Underwriting Association Reinsurance Assistance Fund.

Monies in the special fund may be used by the Department of Insurance, with approval from the Legislature, to defray the cost for reinsurance, lowering the risk for insurance companies writing policies in Mississippi.

Plus, a total of another \$80 million in federal funding is going into the wind pool.

While rates will increase, they will increase only about half as much as we had feared.

The total insured value of the wind pool is now more than \$6 billion, compared with \$1.8 billion before Hurricane Katrina.

This new infusion of money into the wind pool, coupled with the many other steps that are being taken, offers renewed confidence that we will rebuild bigger and better than ever.

When I signed the bill into law as an immediate necessity, I said we must remember that the ultimate goal is to re-create the private insurance market so that the wind pool isn't even necessary.

The bill will go a long way toward stabilizing the Mississippi insurance market and demonstrating that Mississippi is serious about establishing and maintaining a fair and stable market.

The insurance industry in Mississippi is six-tenths of one percent of the national market.

All of us who have worked so hard for these past months know there is nothing simple about recovering from Katrina. And, yet, we must recover if Mississippi is to come back bigger and better than ever.

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These two issues – tort reform and the wind pool – are among many insurance-related issues in Mississippi today.

Collectively, the affordability and availability of insurance have a direct affect our quality of life.

Insurance is about managing risk and helping homeowners and businesses control costs so that they, too, can offer products and services at affordable prices.

Insurance is a vital link in the chain that keeps the American economy strong.

